

**Williamson County  
Benefits Department**



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TO: Flexible Spending Account (FSA) Participants

FROM: Gina Cavanaugh  
Williamson County Benefits Department

DATE: June 16, 2005

RE: Grace Period

The IRS has recently made an addendum to the Flexible Spending Account (FSA) code that allows employers to add an extended time period for claims to be incurred and reimbursed. This new ruling allows participants in the FSA to incur claims for an additional 2 ½ months after the plan year (December 31<sup>st</sup>).

Participants that enrolled in the medical and child care FSA plan January 1, 2005 now have until March 15, 2006 to incur qualified medical and/or child care expenses as allowed under the program. Then when you re-enroll January 1, 2006 you will have until March 15, 2007 to use the designated contribution.

**EXAMPLE** – You are a participant in the medical reimbursement account. January 1, 2005 you elected salary reduction of \$1,000 for medical reimbursement for the current plan year ending December 31, 2005. As of December 31<sup>st</sup>, you have \$200 remaining in your medical FSA account. At open enrollment, you elect \$1,500 for the plan year ending December 31, 2006. During the “grace period” January 1 through March 15, 2006, you incur \$300 of qualified medical expenses as allowed under the plan. The unused \$200 from the plan year ending December 31, 2005 is applied to reimburse \$200 of your \$300 of medical expenses incurred during the grace period. Therefore, as of March 16, 2006, you have no unused contributions remaining for the plan year ending December 31, 2005. The remaining \$100 of medical expenses incurred between January 1 and March 15, 2006 is reimbursed from the medical FSA contributions elected during the open enrollment period. As of March 16, 2006, you have \$1,400 remaining in the medical FSA account.

**Please understand that the “use-it-or-lose it” rule still applies. Any contributions not used by March 15<sup>th</sup> of each year will be forfeited.**

Williamson County sees this as an added benefit to this program. This will give participants more time to pay for medical and dependent care expenses, will ease the year-end spending rush and ease your mind of forfeitures of your contributions.

Please contact the Benefits Department or Consociate Group customer service at 1-877-752-3937 with questions regarding your Flexible Spending Account.